

SOUTH OGDEN CITY

Financial Statements - June 30, 2005

(With Auditors' Report Thereon)

SOUTH OGDEN CITY

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Independent Auditors' Report

Honorable Mayor and City Council
South Ogden City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Ogden City, as of and for the year ended June 30, 2005 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Ogden City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2005 on our consideration of South Ogden City's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Crane, Christensen & Ambrose P.C.

September 26, 2005



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Mayor George Garwood Jr.

City Manager J. Scott Darrington

Management's Discussion and Analysis

This document is a narrative overview and analysis of the financial activities of South Ogden City for the fiscal year ending June 30, 2005. South Ogden City management encourages readers to consider the information presented here in conjunction with the financial statements which follow this section. Beginning in fiscal year 2004, South Ogden City implemented new financial reporting standards established by GASB (the Governmental Accounting Standards Board). These new standards significantly changed the content and structure of the financial statements. As a result, much of the information prior to fiscal year 2004 is not easily comparable to previous years. However, we now have two years of data under the new reporting model and are able to do comparison reporting for fiscal years 2004 and 2005.

Highlights

Commercial growth in the City continues to gain strength. A number of new businesses have opened their doors during this fiscal year. The southeast section of the City has seen the most development with a number of strip-malls being built as well as some restaurants. These new businesses add to the mix of some larger existing businesses such as Albertson's, Macey's, Wal-green's and Costco. As a result, we are seeing a continuing trend of increased sales tax revenues for the City. New residential construction continues to be strong as well. Building permits for single family and multi-unit dwellings totaled 73 during this fiscal year. This is an increase of 13 over the previous year.

The assets of South Ogden City exceeded its liabilities at the close of the most recent fiscal year by \$17,641,747.

As of the close of the current fiscal year, South Ogden City's governmental funds reported combined ending fund balance of \$4,085,834. Approximately \$2,485,638 of the total is available for spending at the City's discretion, while the balance is in reserved funds.

The City's total debt has decreased by \$660,546 during the current fiscal year, but still stands at \$11,431,413. The majority of this is due to the issuance of Sales Tax Revenue Bonds in the amount of \$10,745,000 for the construction of a new city hall facility, parks building, and refurbishing fire station #81. These are 25 year bonds and will be fully retired in the year 2029.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to South Ogden City's basic financial statements. The City's basic financial statements include three component parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This portion of the audit report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of South Ogden City's finances, in a format similar to what is provided by private-sector businesses.

The Statement of Net Assets presents information pertaining to all of South Ogden City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, you will also need to consider other non-financial factors.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The City's financial statements are distinguished by two different functions. First, governmental activities are those principally supported by taxes and intergovernmental revenues. Second, City business-type activities are those that recover all or a significant portion of their costs through user fees and charges. The governmental activities of South Ogden City include general government, public safety (police & fire), streets, public works, parks, and recreation. The business-type activities of the City include providing water, sewer, garbage, storm drain, and ambulance service.

Fund financial statements: A fund is defined as a grouping of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. South Ogden City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of South Ogden City are divided into two categories: governmental and proprietary.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City has identified four major governmental funds (as determined by generally accepted accounting principles) that require separate reporting. The remaining governmental funds are non-major funds and are included in the combining statements within this report.

South Ogden City adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with State budget statutes.

Proprietary funds: Proprietary funds account for the same functions and utilize the same accounting methods reported as business-type activities in the government-wide financial statements. Full accrual accounting methods are used and provide both long and short-term financial information. The City uses enterprise funds, one type of proprietary fund, to account for its business-type activities. The City has identified four enterprise funds (as determined by generally accepted accounting principles) that meet the criteria for major fund classification. The other enterprise funds are classified as non-major and included in the combining statements within this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 20 through 30 of this report.

Government-wide Financial Analysis

As previously noted, increases or decrease in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively. In the case of South Ogden City, net assets

exceed liabilities by \$17,641,747 at the close of the fiscal year 2005. Whereas at the close of fiscal year 2004, the City's net assets exceeded liabilities by \$15,682,897.

The largest portion of South Ogden City's net assets is \$11,739,299 in capital assets net of related debt. This reflects its investment in land, buildings, machinery, and equipment, less any related debt used to acquire those assets that is still outstanding. South Ogden City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although South Ogden City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In the governmental activities the long-term liabilities have decreased slightly. In fiscal year 2004 the City issued \$10,745,000 in Sales Tax Revenue Bonds. This issuance was used to pay off some existing high rate bonds, and to finance the construction of a new city administration building, a new parks building, and to refurbish an existing fire station.

South Ogden City
Statement of Net Assets
June 30, 2005

	Governmental Activities		Business -type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current & other assets	5,347,717	11,374,946	2,246,400	2,273,589	7,594,117	13,648,535
Capital assets	17,878,193	9,895,046	4,886,576	4,989,990	22,764,769	14,885,036
Total assets	<u>23,225,910</u>	<u>21,269,992</u>	<u>7,132,976</u>	<u>7,263,579</u>	<u>30,358,886</u>	<u>28,533,571</u>
Other liabilities	1,159,744	644,781	125,982	113,934	1,285,726	758,715
Long-term liabilities outstanding	11,431,413	12,091,959	0	0	11,431,413	12,091,959
Total liabilities	<u>12,591,157</u>	<u>12,736,740</u>	<u>125,982</u>	<u>113,934</u>	<u>12,717,139</u>	<u>12,850,674</u>
Net Assets:						
Invested in capital assets, net						
of related debt	6,852,723	6,287,106	4,886,576	4,989,990	11,739,299	11,277,096
Restricted	616,927	10,671,784	0	0	616,927	10,671,784
Unrestricted	3,165,103	(8,425,638)	2,120,418	2,159,655	5,285,521	(6,265,983)
Total net assets	<u>10,634,753</u>	<u>8,533,252</u>	<u>7,006,994</u>	<u>7,149,645</u>	<u>17,641,747</u>	<u>15,682,897</u>

At the end of the current fiscal year, the City is able to report positive balances in net assets, for total government activities and for the separate governmental and business-type activities.

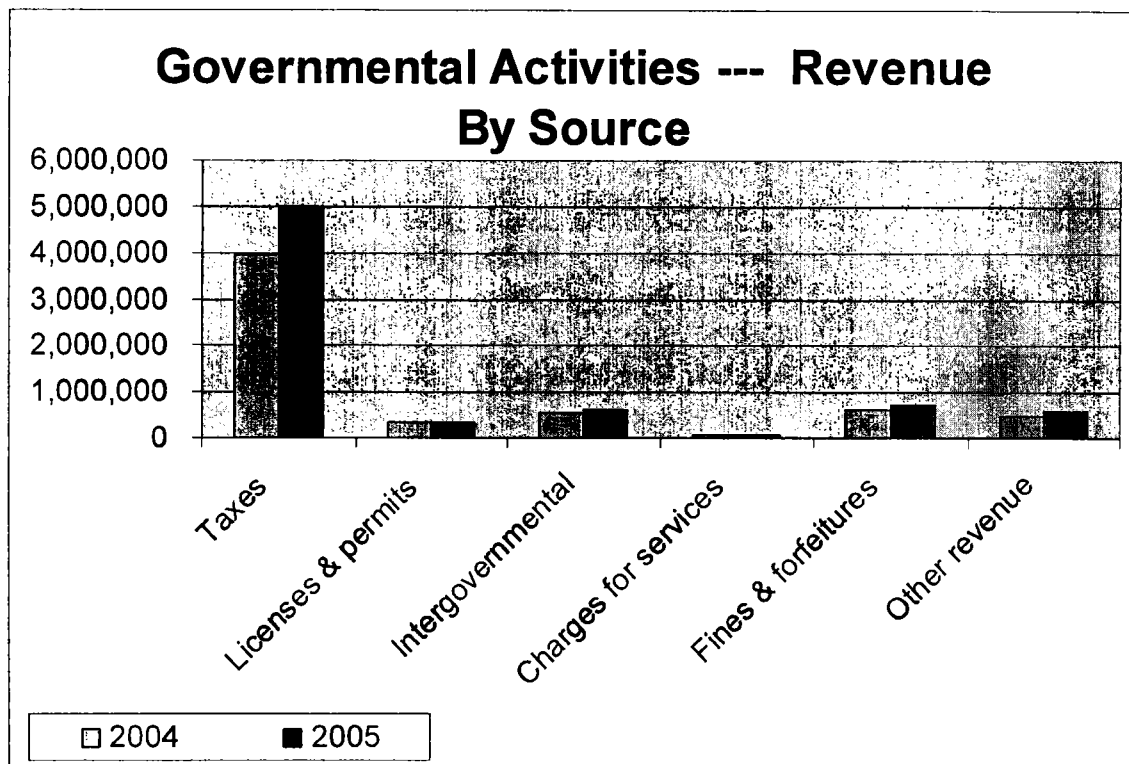
Governmental activities: Governmental activities are reflected in the government-wide activities statement. The governmental activities had an increase in net assets of \$2,101,501 in 2005 compared to an increase of \$515,138 in fiscal year 2004.

Taxes are the main source of revenue, consisting of 67.90% of total revenue, up from 65.35% in 2004. Current year property taxes and sales taxes account for 34.21% and 40.10% respectively in 2005, of the total taxes collected. The corresponding percentages for 2004 were 28.73% and 43.70%. The gap between the two has lessened as the City Council voted in a slight property tax increase in 2005. However, we do expect this gap to widen again as the City is establishing a more robust commercial/retail district and is experiencing an increase in sales tax revenues.

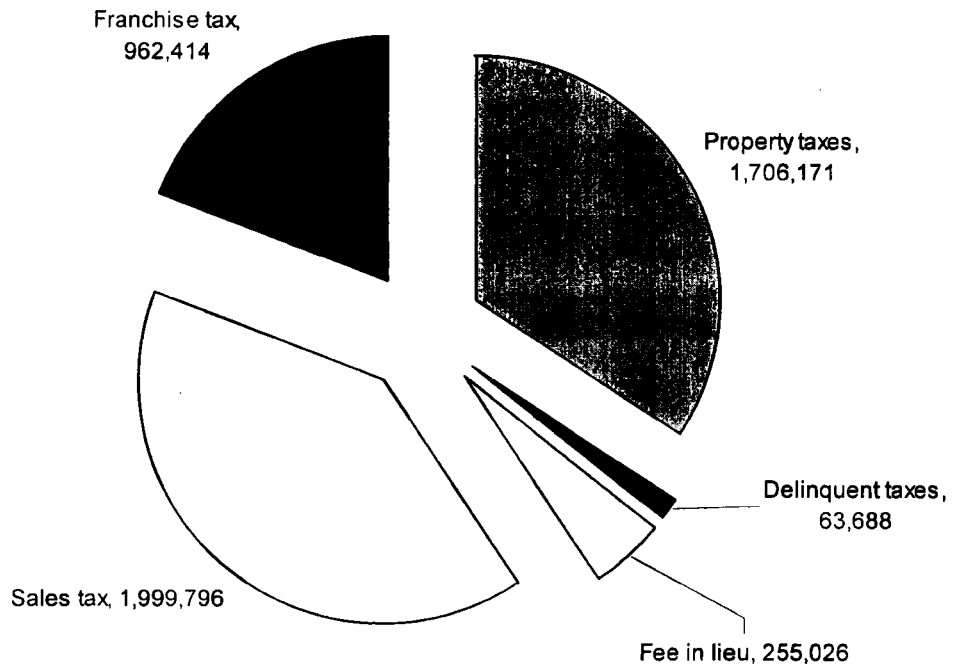
The three greatest expenditures incurred were in the areas of public safety, public works, and general government. All other expense categories remained fairly consistent, with no other noteworthy items to report.

Business-type activities: Business-type activities decreased the City's net assets by \$142,651 during the current year. This is contrasted with an increase of \$152,840 in year 2004.

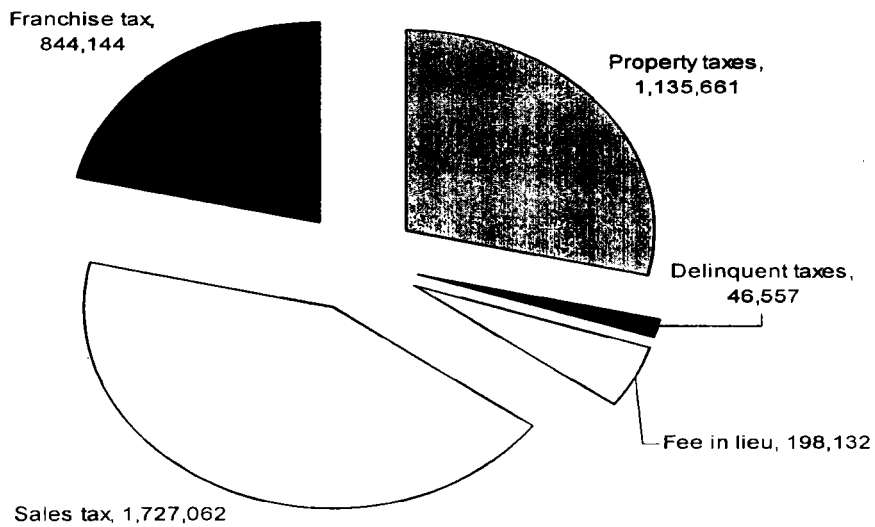
The majority of revenues in the business-type activities are in charges for services which account for 92.38% of the revenues which is up from 91.91% in 2004.



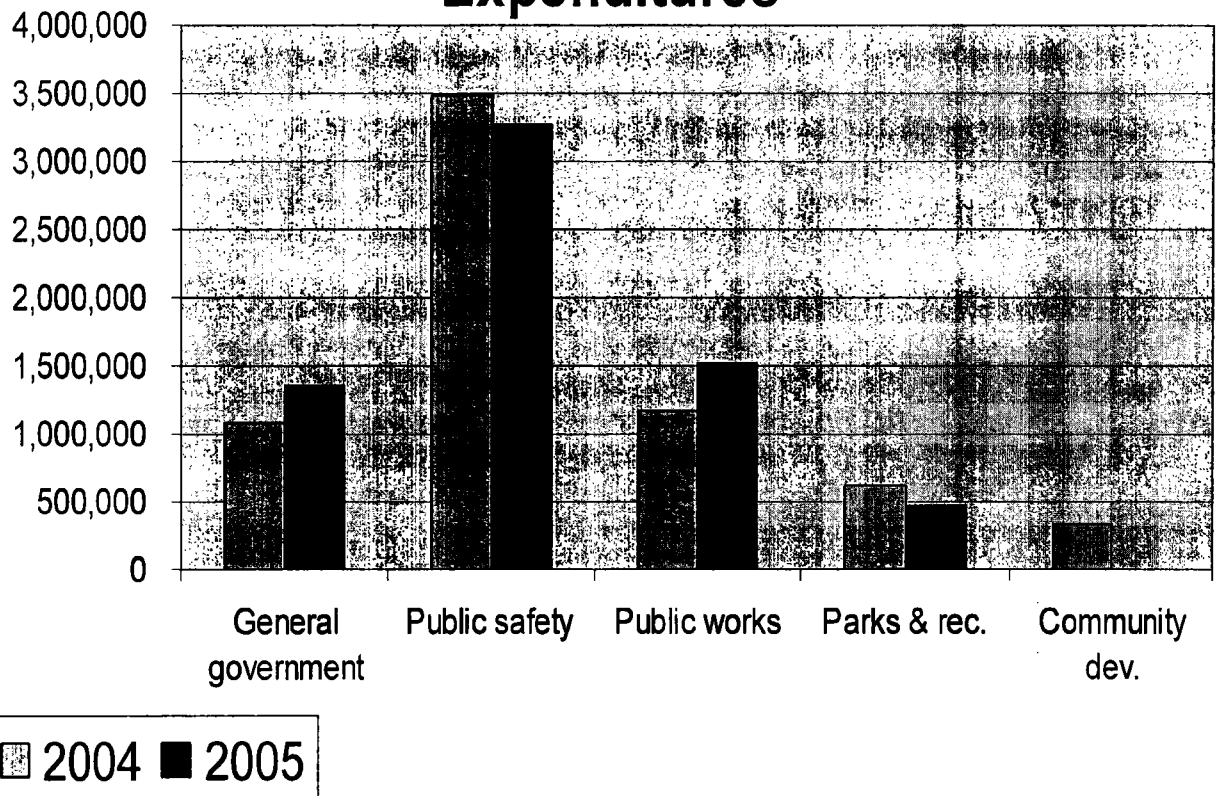
Tax Revenue Analysis - 2005



Tax Revenue Analysis - 2004



Governmental Activities --- Expenditures



Financial Analysis of Government's Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available to spend. Such information is useful in assessing the City's financing requirements.

As of June 30, 2005, the City's governmental funds reported combined ending fund balance of \$4,085,834. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for the business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide more detail.

General Fund Budgetary Highlights

The fiscal year 2005 originally adopted budget for the general fund totaled \$7,798,217. The City Council approved 3 budget amendments during the year bringing the modified total general fund budget to \$8,161,333. The amendments resulted in only minor changes to various departments.

Capital Assets and Debt Administration

As of June 30, 2005, the City had invested \$22,616,523, net of accumulated depreciation, in capital assets for its governmental and business-type activities as compared to \$14,613,376 as of June 30, 2004. This difference is primarily to the construction in progress for the new city hall being built.

**South Ogden City
Statement of Capital Assets
June 30, 2005**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land & other non-depreciable	1,317,206	1,317,206	32,548	32,548	1,349,754	1,349,754
Buildings	3,728,340	2,660,171	150,658	150,658	3,878,998	2,810,829
Infrastructure & improvements	4,840,591	4,077,496	7,840,860	7,840,860	12,681,451	11,918,356
Machinery & equipment	5,655,182	5,574,680	319,160	319,160	5,974,342	5,893,840
Construction in Progress	6,707,334	0	0	0	6,707,334	0
Accumulated depreciation	(4,622,120)	(4,006,167)	(3,353,236)	(3,353,236)	(7,975,356)	(7,359,403)
	17,626,533	9,623,386	4,989,990	4,989,990	22,616,523	14,613,376

At June 30, 2005, the City had total debt outstanding of \$11,055,864. The majority of this amount is comprised from the following items:

- \$10,745,000 Sales Tax Revenue Bond – to construct a new municipal center, new parks building, and refurbish a fire station – bonds retired in 2029
- \$1,194,586 Capital Lease – to purchase fleet vehicles – lease retired in 2007

There is no outstanding debt associated with the Business-type activities of the City.

Economic Factors and Next Year's Budget and Rates

Economic indicators for the region are gradually improving. The addition of some new commercial growth will allow the City to broaden its commercial base and strengthen its sales tax revenue.

Next year's budget will incorporate only a few capital projects. The primary concern will be to get the City Hall completed. There are no plans for a property tax increase, in fact, due to market value increases and new growth the certified tax rate is expected to decrease slightly. Water and sewer rates will be increasing. The City is implementing a graduated scale in which there will be a base fee, and then residents will pay on a scale based upon their usage. The rate increase is necessary to finance the ongoing operation of the water and sewer funds.

Request for information

This financial report is designed to provide a general overview of South Ogden City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: South Ogden City, Administrative Services Director, 3950 Adams Avenue Suite #1, South Ogden, UT 84403.

SOUTH OGDEN CITY

Statement of Net Assets

June 30, 2005

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets:			
Cash and cash equivalents	\$ 5,064,447	1,581,580	6,646,027
Accounts receivable	174,514	440,439	614,953
Inventory of supplies	6,617	-	6,617
Prepays	-	44,745	44,745
Investments	-	179,636	179,636
Deferred charges - bond issue costs	102,139	-	102,139
Capital assets:			
Land and related non-depreciable assets	1,317,206	32,548	1,349,754
Buildings	4,328,340	150,658	4,478,998
Depreciable infrastructure and improvements	4,840,591	7,919,085	12,759,676
Machinery and equipment	5,655,182	319,160	5,974,342
Construction in progress	6,707,334	-	6,707,334
Less accumulated depreciation	(4,970,460)	(3,534,875)	(8,505,335)
Total capital assets	<u>17,878,193</u>	<u>4,886,576</u>	<u>22,764,769</u>
Total assets	<u>23,225,910</u>	<u>7,132,976</u>	<u>30,358,886</u>
Liabilities:			
Accounts payable and accrued liabilities	1,159,744	95,336	1,255,080
Compensated absences	405,943	30,646	436,589
Noncurrent liabilities:			
Due within one year	649,838	-	649,838
Due in more than one year	<u>10,375,632</u>	<u>-</u>	<u>10,375,632</u>
Total liabilities	<u>12,591,157</u>	<u>125,982</u>	<u>12,717,139</u>
Net assets:			
Invested in capital assets, net of related debt	6,852,723	4,886,576	11,739,299
Restricted for:			
Class C roads	616,927	-	616,927
Capital projects	3,000,011	-	3,000,011
Unrestricted	<u>165,092</u>	<u>2,120,418</u>	<u>2,285,510</u>
Total net assets	<u>\$10,634,753</u>	<u>7,006,994</u>	<u>17,641,747</u>

ee independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Statement of Activities

Year Ended June 30, 2005

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental:				
General government	\$ 1,345,390	856,152	-	-
Public safety	3,267,955	238,342	106,915	-
Public works	1,515,490	15,562	490,787	121,641
Parks and recreation	469,219	50,763	14,663	-
Community development	1,705	-	-	-
Total governmental activities	<u>6,599,759</u>	<u>1,160,819</u>	<u>612,365</u>	<u>121,641</u>
Business-type:				
Public utilities	2,224,256	2,473,775	-	-
Ambulance service	268,747	373,721	-	-
Total business-type activities	<u>2,493,003</u>	<u>2,847,496</u>	<u>-</u>	<u>-</u>
Total primary government	<u>9,092,762</u>	<u>4,008,315</u>	<u>612,365</u>	<u>121,641</u>

General revenues:

Property tax

Sales tax

Franchise and energy tax

Total taxes

Unrestricted interest earned

Other general revenues:

Miscellaneous

Transfers - internal activities

Total other general revenues

Total general revenues, special items and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

See independent auditors' report and notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
(489,238)	-	(489,238)
(2,922,698)	-	(2,922,698)
(887,500)	-	(887,500)
(403,793)	-	(403,793)
(1,705)	-	(1,705)
<u>(4,704,934)</u>	<u>-</u>	<u>(4,704,934)</u>
-	249,519	249,519
-	<u>104,974</u>	<u>104,974</u>
-	<u>354,493</u>	<u>354,493</u>
<u>(4,704,934)</u>	<u>354,493</u>	<u>(4,350,441)</u>
2,137,561	-	2,137,561
1,999,796	-	1,999,796
<u>962,414</u>	<u>-</u>	<u>962,414</u>
<u>5,099,771</u>	<u>-</u>	<u>5,099,771</u>
193,834	12,958	206,792
767,812	234,916	1,002,728
<u>745,018</u>	<u>(745,018)</u>	<u>-</u>
<u>1,512,830</u>	<u>(510,102)</u>	<u>1,002,728</u>
<u>6,806,435</u>	<u>(497,144)</u>	<u>6,309,291</u>
2,101,501	(142,651)	1,958,850
<u>8,533,252</u>	<u>7,149,645</u>	<u>15,682,897</u>
<u>10,634,753</u>	<u>7,006,994</u>	<u>17,641,747</u>

SOUTH OGDEN CITY

Balance Sheet
Governmental Funds

June 30, 2005

<u>Assets</u>	<u>General Fund</u>	<u>RDA Fund</u>	<u>Capital Improvements</u>	<u>City Hall Capital Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash (note 2)	\$ 1,796,132	-	2,169,479	-	75,595	4,041,206
Restricted cash	-	-	-	1,023,241	-	1,023,241
Accounts receivable (note 3)	167,138	-	-	-	7,376	174,514
Inventory of supplies	6,617	-	-	-	-	6,617
Due from other funds	335,958	-	-	-	-	335,958
	<u>\$ 2,305,845</u>	<u>-</u>	<u>2,169,479</u>	<u>1,023,241</u>	<u>82,971</u>	<u>5,581,536</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 903,953	-	-	-	-	903,953
Accrued wages and benefits	194,850	-	-	-	-	194,850
Deposits	60,941	-	-	-	-	60,941
Due to other funds	-	143,249	-	192,709	-	335,958
Total liabilities	<u>1,159,744</u>	<u>143,249</u>	<u>-</u>	<u>192,709</u>	<u>-</u>	<u>1,495,702</u>
Fund balances:						
Fund balance reserved for: (note 1)						
Class C roads	456,698	-	160,229	-	-	616,927
Construction	-	-	-	1,023,241	-	1,023,241
Fund balance unreserved	689,403	(143,249)	2,009,250	(192,709)	82,971	2,445,666
Total fund balances	<u>1,146,101</u>	<u>(143,249)</u>	<u>2,169,479</u>	<u>830,532</u>	<u>82,971</u>	<u>4,085,834</u>
	<u>\$ 2,305,845</u>	<u>-</u>	<u>2,169,479</u>	<u>1,023,241</u>	<u>82,971</u>	<u>5,581,536</u>

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

June 30, 2005

Total fund balance - governmental funds \$ 4,085,834

Amount reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are
not reported as assets in governmental funds.

These assets consist of:

Land and related non-depreciable assets	\$ 1,317,206	
Buildings	3,728,340	
Depreciable infrastructure and improvements	4,840,591	
Machinery and equipment	5,655,182	
Construction in progress	6,707,334	
Accumulated depreciation	<u>(4,622,120)</u>	
Total capital assets		17,626,533

Deferred charges such as unamortized bond issue
costs are not financial resources and are, therefore,
not reported in governmental funds.

102,139

Internal service funds are used by management to
charge the costs of certain activities to individual
funds. The assets and liabilities of those internal
service funds that primarily benefit governmental
entities are included with governmental activities
in the statement of net assets.

251,660

Some liabilities are not due and payable in the current
period and therefore are not reported in the funds.

Those liabilities consist of:

Bonds payable	(10,420,000)	
Leases payable	(605,470)	
Compensated absences and benefits	<u>(405,943)</u>	
Total long-term debt		(11,431,413)

Total net assets - governmental activities

\$ 10,634,753

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2005

<u>Assets</u>	<u>General Fund</u>	<u>RDA Fund</u>	<u>Capital Improvements</u>	<u>City Hall Capital Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes	\$ 4,987,095	112,676	-	-	-	5,099,771
Licenses and permits	358,687	-	-	-	-	358,687
Intergovernmental	612,365	-	121,641	-	-	734,006
Charges for services	80,070	-	-	-	-	80,070
Fines and forfeitures	722,062	-	-	-	-	722,062
Other revenues	<u>584,378</u>	<u>436</u>	<u>263,988</u>	<u>74,607</u>	<u>38,237</u>	<u>961,646</u>
Total revenues	<u>7,344,657</u>	<u>113,112</u>	<u>385,629</u>	<u>74,607</u>	<u>38,237</u>	<u>7,956,242</u>
Expenditures:						
Current:						
General government	1,154,497	-	-	-	1,820	1,156,317
Public safety	3,268,071	-	-	-	-	3,268,071
Public works	1,045,282	-	-	-	-	1,045,282
Parks and recreation	439,442	-	-	-	63,338	502,780
Community development	-	1,705	-	-	-	1,705
Capital outlay	-	-	872,867	7,589,063	-	8,461,930
Debt service	-	-	-	-	803,111	803,111
Total expenditures	<u>5,907,292</u>	<u>1,705</u>	<u>872,867</u>	<u>7,589,063</u>	<u>868,269</u>	<u>15,239,196</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,437,365</u>	<u>111,407</u>	<u>(487,238)</u>	<u>(7,514,456)</u>	<u>(830,032)</u>	<u>(7,282,954)</u>
Other financing sources (uses):						
Transfers in	384,916	1,061,294	1,380,000	-	892,785	3,718,995
Transfers (out)	<u>(2,450,077)</u>	<u>(100,000)</u>	<u>(423,900)</u>	<u>-</u>	<u>-</u>	<u>(2,973,977)</u>
Total other financing sources (uses)	<u>(2,065,161)</u>	<u>961,294</u>	<u>956,100</u>	<u>-</u>	<u>892,785</u>	<u>745,018</u>
Net changes in fund balances	(627,796)	1,072,701	468,862	(7,514,456)	62,753	(6,537,936)
Fund balances - beginning of year	<u>1,773,897</u>	<u>(1,215,950)</u>	<u>1,700,617</u>	<u>8,344,988</u>	<u>20,218</u>	<u>10,623,770</u>
Fund balances - end of year	<u>\$ 1,146,101</u>	<u>(143,249)</u>	<u>2,169,479</u>	<u>830,532</u>	<u>82,971</u>	<u>4,085,834</u>

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds to the Statement of Activities

Year Ended June 30, 2005

Net change in fund balance - total governmental funds	\$ (6,537,936)
Amount reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures (\$8,792,231). However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$706,836). Capital outlays exceeded depreciation for the period.	8,085,395
Adjustments and asset retirements of general government capital assets are not reported in the fund statements but are reflected in the entity-wide statement of activities	(82,248)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(20,000)
Government funds report payments on general long-term liabilities in the fund statements but these transactions are excluded from the entity-wide statement of activities	660,546
Amortization of deferred charges is not reported in governmental funds but is reflected in the expenses of the statement of activities	<u>(4,256)</u>
Changes in net assets of governmental activities	<u>\$ 2,101,501</u>

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Statement of Net Assets
Proprietary Funds

June 30, 2005

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Storm Water Fund	Solid Waste Fund	Non-Major Enterprise Funds	Total Enterprise Funds	
Assets:							
Cash	\$ 576,923	297,492	302,584	305,150	99,431	1,581,580	-
Accounts receivable	61,279	75,997	28,286	98,657	82,005	346,224	-
Other receivables	94,215	-	-	-	-	94,215	-
Prepays	44,745	-	-	-	-	44,745	-
Investments	179,636	-	-	-	-	179,636	-
Land	16,274	16,274	-	-	-	32,548	-
Buildings	75,329	75,329	-	-	-	150,658	600,000
Improvements	4,541,934	2,570,765	806,386	-	-	7,919,085	-
Machinery and equipment	132,609	93,740	39,547	11,000	42,264	319,160	-
Accumulated depreciation	(2,452,611)	(1,004,590)	(45,498)	(1,166)	(31,010)	(3,534,875)	(348,340)
Total assets	<u>3,270,333</u>	<u>2,125,007</u>	<u>1,131,305</u>	<u>413,641</u>	<u>192,690</u>	<u>7,132,976</u>	<u>251,660</u>
Liabilities:							
Accounts payable	58,484	25,504	4,313	-	7,035	95,336	-
Compensated absences	18,348	10,385	1,913	-	-	30,646	-
Total liabilities	<u>76,832</u>	<u>35,889</u>	<u>6,226</u>	<u>-</u>	<u>7,035</u>	<u>125,982</u>	<u>-</u>
Net assets:							
Invested in capital assets, net of related debt	2,313,535	1,751,518	800,435	9,834	11,254	4,886,576	251,660
Unrestricted	<u>879,966</u>	<u>337,600</u>	<u>324,644</u>	<u>403,807</u>	<u>174,401</u>	<u>2,120,418</u>	<u>-</u>
Total net assets	<u>3,193,501</u>	<u>2,089,118</u>	<u>1,125,079</u>	<u>413,641</u>	<u>185,655</u>	<u>7,006,994</u>	<u>251,660</u>

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Storm Water Fund	Solid Waste Fund	Non-Major Enterprise Funds	Total Enterprise Funds	
Operating revenues:							
Charges for services	\$ 748,950	649,497	294,867	780,461	373,721	2,847,496	-
Impact fees	124,998	12,281	80,180	-	-	217,459	-
Miscellaneous	10,833	4,849	-	1,775	-	17,457	-
Total operating revenues	<u>884,781</u>	<u>666,627</u>	<u>375,047</u>	<u>782,236</u>	<u>373,721</u>	<u>3,082,412</u>	<u>-</u>
Operating expenses:							
Personnel services	280,533	153,216	125,261	-	191,995	751,005	-
Contractual services	208,950	364,611	80,857	721,004	35,624	1,411,046	-
Materials and supplies	72,319	8,552	6,898	13,506	25,515	126,790	-
Depreciation	94,535	45,648	25,675	167	15,613	181,638	20,000
Utilities	11,000	7,000	4,524	-	-	22,524	-
Total operating expenses	<u>667,337</u>	<u>579,027</u>	<u>243,215</u>	<u>734,677</u>	<u>268,747</u>	<u>2,493,003</u>	<u>20,000</u>
Operating income (loss)	<u>217,444</u>	<u>87,600</u>	<u>131,832</u>	<u>47,559</u>	<u>104,974</u>	<u>589,409</u>	<u>(20,000)</u>
Non-operating revenues (expenses):							
Interest revenue	<u>3,534</u>	<u>3,534</u>	<u>2,945</u>	<u>2,945</u>	<u>-</u>	<u>12,958</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>3,534</u>	<u>3,534</u>	<u>2,945</u>	<u>2,945</u>	<u>-</u>	<u>12,958</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>220,978</u>	<u>91,134</u>	<u>134,777</u>	<u>50,504</u>	<u>104,974</u>	<u>602,367</u>	<u>(20,000)</u>
Transfers (out)	<u>(355,009)</u>	<u>(345,009)</u>	<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>(745,018)</u>	<u>-</u>
Total contributions and transfers	<u>(355,009)</u>	<u>(345,009)</u>	<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>(745,018)</u>	<u>-</u>
Change in net assets	<u>(134,031)</u>	<u>(253,875)</u>	<u>89,777</u>	<u>50,504</u>	<u>104,974</u>	<u>(142,651)</u>	<u>(20,000)</u>
Net assets - beginning of year	<u>3,327,532</u>	<u>2,342,993</u>	<u>1,035,302</u>	<u>363,137</u>	<u>80,681</u>	<u>7,149,645</u>	<u>271,660</u>
Net assets - end of year	<u>\$ 3,193,501</u>	<u>2,089,118</u>	<u>1,125,079</u>	<u>413,641</u>	<u>185,655</u>	<u>7,006,994</u>	<u>251,660</u>

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Storm Water Fund	Solid Waste Fund	Non-Major Enterprise Funds	Total Enterprise Funds	
Cash flows from operating activities:							
Cash received from customers	\$ 870,376	658,140	379,328	771,414	332,559	3,011,817	-
Cash received from other activities	10,833	4,849	-	1,775	-	17,457	-
Cash payments for payroll and benefits	(278,684)	(151,965)	(125,265)	-	(190,361)	(746,275)	-
Cash payments for goods and services	(336,840)	(373,558)	(91,740)	(734,510)	(61,139)	(1,597,787)	-
Net cash provided by operating activities	<u>265,685</u>	<u>137,466</u>	<u>162,323</u>	<u>38,679</u>	<u>81,059</u>	<u>685,212</u>	-
Cash flows from investing activities:							
Interest earned on cash deposits	<u>3,534</u>	<u>3,534</u>	<u>2,945</u>	<u>2,945</u>	-	<u>12,958</u>	-
Net cash provided by investing activities	<u>3,534</u>	<u>3,534</u>	<u>2,945</u>	<u>2,945</u>	-	<u>12,958</u>	-
Cash flows from noncapital financing activities:							
Transfers (out)	<u>(53,007)</u>	<u>(43,007)</u>	<u>(45,000)</u>	-	-	<u>(141,014)</u>	-
Net cash used by noncapital financing activities	<u>(53,007)</u>	<u>(43,007)</u>	<u>(45,000)</u>	-	-	<u>(141,014)</u>	-
Cash flows from capital and related financing activities:							
Cash payments for capital asset purchases	<u>(27,076)</u>	<u>(51,032)</u>	<u>(116)</u>	-	-	<u>(78,224)</u>	-
Net cash used by capital and related financing activities	<u>(27,076)</u>	<u>(51,032)</u>	<u>(116)</u>	-	-	<u>(78,224)</u>	-
Net increase in cash and cash equivalents	189,136	46,961	120,152	41,624	81,059	478,932	-
Cash and cash equivalents - beginning of year	<u>387,787</u>	<u>250,531</u>	<u>182,432</u>	<u>263,526</u>	<u>18,372</u>	<u>1,102,648</u>	-
Cash and cash equivalents - end of year	<u>\$ 576,923</u>	<u>297,492</u>	<u>302,584</u>	<u>305,150</u>	<u>99,431</u>	<u>1,581,580</u>	-
Noncash investing, capital, and financing activities:							
Removal of receivable from RDA	<u>\$ 302,002</u>	<u>302,002</u>	-	-	-	-	-

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Statement of Cash Flows - Continued
Proprietary Funds

Year Ended June 30, 2005

	<u>Business-Type Activities - Enterprise Funds</u>						<u>Governmental Activities - Internal Service Funds</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Solid Waste Fund</u>	<u>Non-Major Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$ 217,444	87,600	131,832	47,559	104,974	589,409	(20,000)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	94,535	45,648	25,675	167	15,613	181,638	20,000
(Increase) decrease in accounts receivable	(3,572)	(3,638)	4,281	(9,047)	(41,162)	(53,138)	-
Increase in prepaids	(44,745)	-	-	-	-	(44,745)	-
Increase in accounts payable and accrued liabilities	174	6,605	539	-	1,634	8,952	-
Increase (decrease) in compensated absences	<u>1,849</u>	<u>1,251</u>	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>3,096</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 265,685</u>	<u>137,466</u>	<u>162,323</u>	<u>38,679</u>	<u>81,059</u>	<u>685,212</u>	<u>-</u>

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

South Ogden City was incorporated in July, 1936. The City operates under a traditional council/mayor form of government and provides the following services as authorized by its charter: public safety, public utilities, highways and streets, sanitation, social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The financial statements of South Ogden City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present South Ogden City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Units:

South Ogden Redevelopment Agency - The South Ogden Redevelopment Agency (RDA) is governed by the Mayor and City Council. Although it is legally separate from the City, the RDA is reported as if it were part of the primary government because its sole purpose is to redevelop areas within the City thereby generating additional property tax and sales tax.

Municipal Building Authority of South Ogden City - The Municipal Building Authority (Authority) is governed by the Mayor and City Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to issue revenue bonds for construction of buildings which are leased to the City.

B. Government-Wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-Wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of interfund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities.

The Statement of Net Assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and statutory mandate. The various funds are grouped, in the financial statements in this report, into fund types and categories as follows:

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2005

(1) Summary of Significant Accounting Policies - Continued

Governmental Fund Types:

The City reports the following major governmental funds:

General fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in other funds. It also includes the financial activities related to most federal and state funds.

Special revenue funds - These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service fund - This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital projects funds - These funds are used to account for financial resources to be used for the acquisition or construction of general major capital facilities.

Proprietary Fund Types:

Enterprise funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City operates its water, sewer, storm drainage, garbage fund and ambulance fund as enterprise funds. Each is considered a major proprietary fund.

Internal service fund - The internal service fund is used to account for the financing of goods and services provided by the municipal building authority to other departments or agencies of the City, or to other governments, on a cost-reimbursements basis.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total assets.

All governmental funds are accounted for using the modified accrual basis of accounting. That is, revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued in the individual funds because the current portion of these items cannot be reasonably estimated and (2) principal and interest on general long-term debt which is recognized when due.

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2005

(1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The City applies only the applicable FASB pronouncements issued on or before November 30, 1989.

D. Budgets

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act of Utah Cities" by South Ogden City Municipal Council on or before June 22nd for the following fiscal year which begins on July 1. Budgets may be increased by resolution of the City Council at any time during the year, following a public hearing. Budgets are prepared in line-item detail; however, budget amendments by resolution are generally required only if the fund desires to exceed its total budget appropriation. The City follows Uniform Fiscal Procedures for Cities as adopted by the State Legislature for policies concerning its budgetary accounting. Annual budgets are adopted for all governmental fund types. All annual appropriations lapse at fiscal year end.

During the year, three supplemental amendments were made to the City's general fund budget in the amount of \$363,116.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	50 years
Water distribution system	50 years
Sewer collection system	66 years
Equipment and machinery	5-15 years
Infrastructure and other improvements	10-30 years
Wells and related structures	25 years
Meters and hydrants	20 years

F. Reservations of Fund Balance/Retained Earnings

The City is required to reserve part of the fund balance of the general fund to account for the unexpended portions of certain types of revenue. The reserved fund balances are for class "C" road revenue and building construction.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

At June 30, 2005, the RDA and City Hall Capital Projects funds had overdrawn their share of pooled cash by \$143,249 and \$192,709 respectively. These amounts are reported as "Due to other funds" in the fund financial statements with an offsetting "Due from other funds" in the general fund.

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2005

(1) Summary of Significant Accounting Policies - Continued

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Deposits and Investments

Deposits and investments for South Ogden City are governed by the Utah Money Management Act and by rules of the Utah Money Management Council. Following are discussions of the City's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2005 were \$477,353, of which \$377,353 were uninsured and uncollateralized.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the City's investments at June 30, 2005:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ 5,622,929	54 days*	not rated
U.S. Bank Debt Service Trust	<u>1,023,241</u>	30 days*	not rated
	<u>\$ 6,646,170</u>		

*Weighted-average maturity

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2005

(2) Deposits and Investments - Continued

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing solely in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted in the previous table.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective, and Rule 17 which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

(3) Accounts Receivable

The City considers its utility fund accounts receivable to be substantially collectable and has therefor not recorded an allowance for doubtful accounts. The accounts receivable in the ambulance fund are reported net of an allowance for doubtful accounts of \$54,670.

(4) Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	6,707,334	-	6,707,334
Land and land improvements	1,317,206	-	-	1,317,206
Total	1,317,206	6,707,334	-	8,024,540
Capital assets being depreciated:				
Buildings	2,660,171	1,068,169	-	3,728,340
Infrastructure and other improvements	4,077,496	763,095	-	4,840,591
Machinery and equipment	5,574,680	253,633	(173,131)	5,655,182
Total	12,312,347	2,084,897	(173,131)	14,224,113
Less accumulated depreciation for:				
Buildings	(734,193)	(53,202)	-	(787,395)
Infrastructure and other improvements	(1,049,301)	(157,818)	-	(1,207,119)
Machinery and equipment	(2,222,673)	(495,816)	90,883	(2,627,606)
Total	(4,006,167)	(706,836)	90,883	(4,622,120)
Capital assets being depreciated, net	8,306,180	1,378,061	(82,248)	9,601,993
Governmental activity capital assets, net	\$ 9,623,386	8,085,395	(82,248)	17,626,533

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2005

(4) Capital Assets - Continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated:				
Land and land improvements	\$ 32,548	-	-	32,548
Total	<u>32,548</u>	-	-	<u>32,548</u>
Capital assets being depreciated:				
Buildings	150,658	-	-	150,658
Improvements	7,840,860	78,225	-	7,919,085
Machinery and equipment	319,160	-	-	319,160
Total	<u>8,310,678</u>	<u>78,225</u>	-	<u>8,388,903</u>
Less accumulated depreciation for:				
Buildings	(129,852)	(3,199)	-	(133,051)
Improvements	(3,045,471)	(128,333)	-	(3,173,804)
Equipment	(177,913)	(50,107)	-	(228,020)
Total	<u>(3,353,236)</u>	<u>(181,639)</u>	-	<u>(3,534,875)</u>
Capital assets being depreciated, net	<u>4,957,442</u>	<u>(103,414)</u>	-	<u>4,854,028</u>
Business-type activities capital assets, net	\$ <u>4,989,990</u>	<u>(103,414)</u>	-	<u>4,886,576</u>

Capital assets in the statement of net assets also includes the equipment and other depreciable assets of the internal service fund as follows:

Building	\$ 600,000
Accumulated depreciation	<u>(348,340)</u>
Capital assets being depreciated	\$ <u>251,660</u>

Depreciation expense of governmental activities was charged to functions as follows:

General Government	\$ 49,159
Public Safety	95,459
Public Works	519,111
Parks and Recreation	43,107
Depreciation on capital assets of the City's internal service funds is charged to the various functions based on their usage of assets	<u>20,000</u>
Total	\$ <u>726,836</u>

(5) Long-Term Debt

On April 28, 2004, the City issued \$10,745,000 in sales tax revenue and refunding bonds. The proceeds of the bonds were used to construct city buildings and advance refund old redevelopment bonds. The bonds carry interest rates ranging from 2.75% to 5.00% and fully mature in the year 2029. A schedule of annual maturities follows:

Series 2004 Bonds

<u>Payment Due May 1st</u>	<u>Principal</u>	<u>Payment Due May 1st</u>	<u>Principal</u>	<u>Payment Due May 1st</u>	<u>Principal</u>
5/01/2006	\$ 350,000.00	5/01/2009	\$ 375,000.00	5/01/2012	\$ 310,000.00
5/01/2007	355,000.00	5/01/2010	385,000.00	5/01/2013	325,000.00
5/01/2008	365,000.00	5/01/2011	300,000.00	5/01/2014	335,000.00

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2005

(5) Long-Term Debt - Continued

Series 2004 Bonds - Continued

<u>Payment Due</u> <u>May 1st</u>	<u>Principal</u>	<u>Payment Due</u> <u>May 1st</u>	<u>Principal</u>	<u>Payment Due</u> <u>May 1st</u>	<u>Principal</u>
5/01/2015	\$ 350,000.00	5/01/2020	\$ 430,000.00	5/01/2025	\$ 550,000.00
5/01/2016	365,000.00	5/01/2021	450,000.00	5/01/2026	575,000.00
5/01/2017	380,000.00	5/01/2022	475,000.00	5/01/2027	605,000.00
5/01/2018	395,000.00	5/01/2023	500,000.00	5/01/2028	635,000.00
5/01/2019	415,000.00	5/01/2024	525,000.00	5/01/2039	670,000.00
				Total	<u>\$10,420,000.00</u>

The City has capital leases included in long-term debt. The debt is to be paid with general fund revenue. Future minimum lease payments together with the present value of the net minimum lease payments under capital leases at June 30, 2005 are summarized as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>General</u> <u>Equipment</u> <u>Leases</u>
2006	\$ 318,812
2007	317,052
2008 and after	-
Total lease payments	635,864
Less amount representing interest	30,394
Present value of minimum lease payment	605,470
Less current portion	299,838
Portion of obligations under capital leases due after one year	<u>\$ 305,632</u>

(6) Compensated Absences, Accumulated Unpaid Vacation, Personal Leave Pay, Compensatory Time

It is the government's policy to permit employees to accumulate earned but unused vacation and personal leave pay benefits. Vacation and compensatory leave are recorded as an expenditure when used in governmental funds and as an expense when earned in proprietary funds and in the governmental-wide statements. A liability for unused vacation and compensatory leave is recorded in the governmental-wide statement of net assets.

(7) Retirement Plans

Plan Description

South Ogden City (the City) contributes to the Local Governmental Non-contributory and Public Safety Non-contributory systems, all cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Non-contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2005

(7) Retirement Plans - Continued

Funding Policy

In the Local Governmental Non-contributory System the City contributes a combined rate of 11.09% of covered salary. In fiscal year 2005, the City contributed 19.08% to the Public Safety Non-contributory System based on covered wages. The contribution rate is actuarially determined. The contribution requirements of the System is authorized by statute and specified by the Board.

The City's contributions to the various systems for June 30, 2005, 2004 and 2003 were as follows:

A. Local Governmental System - Non-contributory

	<u>2005</u>	<u>2004</u>	<u>2003</u>	
\$	148,253	125,863	107,626	Employer contributions.
	1,336,817	1,308,349	1,238,497	Salary subject to retirement contributions.

B. Utah Public Retirement System - Public Safety

	<u>2005</u>	<u>2004</u>	<u>2003</u>	
\$	187,187	147,638	108,407	Employer paid contributions.
	981,067	909,102	782,661	Salary subject to retirement contributions.

C. Firefighters System

	<u>2005</u>	<u>2004</u>	<u>2003</u>	
\$	46,328	40,759	24,207	Employer paid for employee contributions.
	538,068	496,462	309,549	Salary subject to retirement contributions.

D. 401(K) Plan

	<u>2005</u>	<u>2004</u>	<u>2003</u>	
\$	38,159	23,080	10,542	Employer paid for employee contributions.

(8) Inter-fund Transfers

Transfer to general fund	\$ 384,916
Transfer from general fund	(2,450,077)
Transfer to capital improvements	1,380,000
Transfer from capital improvements	(423,900)
Transfer to RDA special revenue fund	1,061,294
Transfer from RDA special revenue fund	(100,000)
Transfer to South Ogden Days fund	20,000
Transfer to debt service fund	872,785
Transfer from water fund	(355,009)
Transfer from sewer fund	(345,009)
Transfer from storm water fund	(45,000)

\$ -

(9) Budgetary Accounting and Tax Calendar

The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. Budgets are required by the State of Utah for the general, special revenue, debt service and capital improvement funds. The legal level of control required by the State of Utah is at the department level. The City's budget is a financial plan of all estimated revenues and all appropriations for expenditures. Revenues and expenditures must balance.

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2005

(9) Budgetary Accounting and Tax Calendar - Continued

The budget is prepared sometime between the 1st of March and the 1st of May. A tentative budget is presented by the City Manager to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than the first meeting in May. The tentative budget is public record and is available for inspection at the City Business Administration Department and the City Recorder's Office for at least ten days prior to adoption of the final budget. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing. The public hearing on the tentatively adopted budget is held prior to final adoption. Final adjustments are made to the tentative budget by the Council after the public hearing. The final budget is adopted by ordinance before June 22nd and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.

In connection with budget adoption an annual tax ordinance establishing the tax rate is adopted before June 22nd and the City is to certify the tax rate to the County Auditor before June 22nd.

Budgets for the general, special revenue, debt service and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The above procedures are authorized by Utah Code Sections 10-6-109 through 10-6-135.

<u>Property Tax Calendar</u>		
<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
Lien date	59-2-103 59-2-1302	1/1
Taxing districts with June year end notify county commission of date, time and place of public hearing	59-2-919	3/1
County treasurer to settle taxes charged and collected for previous year	59-2-1365	3/31
Budget officer shall prepare and file with council a tentative budget	10-6-111	1 st scheduled council meeting in May
County assessor delivers roll to county auditor	59-2-924	6/1
Tax commission reports value of Centrally Assessed Property to counties	59-2-802	6/1
County assessor delivers to county auditor statement showing aggregate valuation of all taxable property	59-2-924	6/1
County auditor sends valuation, certified tax rate and levy work sheets to each taxing district	59-2-924	6/1
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit to county auditor	59-2-912	before 6/22
County to set proposed tax rates	59-2-909	6/22
Taxing districts adopt tentative budgets and notify county of intent to exceed certified tax rate	59-2-924(3)	6/22
County auditor to submit levy worksheets and supporting documentation to tax commission	59-2-913	6/22
Copy of final budget to state auditor within 30 days of adoption	10-6-118	9/17
County treasurer to mail tax notice	59-2-1317	11/1
County auditor delivers assessment roll with affidavit to tax commission	59-2-326	11/1
Payment and delinquency date	59-2-1331	11/30
Delinquency list published	59-2-1332.5	12/31

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2005

(10) Contingencies

The City entered into an agreement through the Special Revenue Fund (Redevelopment Agency) with a developer and a land owner to have a retail store constructed within city limits. The agreement requires payments to be made from sales and property taxes generated by the property and remitted to the City. Amounts paid are determined by a formula based on tax collections. In the event any principal remains at the end of the original term, the amount will be forgiven.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

(11) Other Post-Retirement Benefits

In addition to the pension benefits described in note 7, the City provides post-retirement health care and dental insurance benefits to employees hired prior to February 18, 1997 who retire from the City on or after attaining age 55 with at least 30 years of service or age 65. Currently, five individuals are retired and receiving benefits under the plan. There is one current employee who is eligible to retire under this plan. The plan provides health and dental insurance programs at the same coverage and cost which is provided to all full time personnel for a period not to exceed five years or until the first June 30th following the retiree's sixty-fifth birthday. Expenditures for post-retirement insurance benefits are recognized as the premiums are incurred. During the year \$22,426 was recognized for post-retirement insurance benefits.

The City also provides post-retirement salary benefits to all employees meeting the above eligibility requirements. Currently five retirees and three current employees meet those requirements. The City makes monetary payments in an amount equal to 10% of the retiree's ending salary for a period not to exceed five years. Expenditures for post-retirement salary benefits are recognized as the payments are incurred. During the year \$37,685 was recognized for post-retirement benefits. The liability for those who have retired and those who are eligible but have not retired has been recorded in the general long-term debt account group.

Both of these plans are funded through annual budget appropriations.

(12) South Ogden Redevelopment Agency

The redevelopment agency (RDA) collected tax increments of \$112,676 for the Washington Boulevard area. There were no tax increments paid to any other taxing agency. The RDA had no outstanding debt associated with the project areas.

The RDA expended funds in the following areas:

Acquisition of property	\$	-
Public improvements		-
Development payments		-
Administrative cost		1,705
Interest and fiscal charges		-
Debt principal		-

(13) Inter-Fund Receivables and Payables

Activity between funds that represents lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." All other outstanding balances between funds are also reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2005

(14) Deficit Fund Balances/Retained Earnings

The following fund had a deficit at June 30, 2005 as measured by the balance of unreserved fund balance:

Special Revenue Fund - Redevelopment Agency:

The deficit of \$143,249 is from project construction costs. It is anticipated that as the districts develop, tax revenues will increase and eliminate the deficit.

(15) Risk Management

South Ogden City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disaster for which the government carries commercial insurance. Deductibles on claims are paid for out of the department experiencing the damage or loss.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At June 30, 2005, there were no outstanding claims or judgements against the City. Settlements did not exceed insurance coverage for each of the past three years.

(16) Commitments

The City began construction on a new administration and public safety facility that is expected to cost approximately \$8,000,000. The project is expected to be completed during fiscal 2006.

REQUIRED SUPPLEMENTAL INFORMATION

SOUTH OGDEN CITY

Notes to Required Supplementary Information

June 30, 2005

Budgeting and Budgetary Control

As more fully explained in Note 1 of the Notes to Financial Statements, annual budgets are prepared and adopted before June 22 for the fiscal year commencing the following July 1 in accordance with the Uniform Fiscal Procedures Act for Utah Cities. State law requires budgeted revenues to equal budgeted expenditures, and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general fund, special revenue, and capital projects funds are legally required and are prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

The Budgetary Comparison schedules presented in this section of the report are for the City's general fund and major special revenue funds. Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to July 1. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the City Council through formal resolution. Final budgets do not include unexpected balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

SOUTH OGDEN CITY

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund

Year Ended June 30, 2005

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Taxes:				
Current year property taxes	\$ 1,637,689	1,637,689	1,706,171	68,482
Delinquent prior years taxes	55,000	55,000	63,688	8,688
Fee in lieu	166,000	166,000	255,026	89,026
Sales tax	1,900,000	1,900,000	1,999,796	99,796
Franchise and municipal energy tax	795,000	802,850	962,414	159,564
Total taxes	<u>4,553,689</u>	<u>4,561,539</u>	<u>4,987,095</u>	<u>425,556</u>
Licenses and permits:				
Business licenses	100,000	100,000	126,227	26,227
Building permits	200,000	200,000	220,917	20,917
Other permits	300	300	2,036	1,736
Animal licenses	6,500	6,500	9,507	3,007
Total licenses and permits	<u>306,800</u>	<u>306,800</u>	<u>358,687</u>	<u>51,887</u>
Intergovernmental:				
Grants	15,451	62,019	106,698	44,679
Class "C" roads	500,000	450,000	490,787	40,787
State liquor allotment	10,000	10,000	14,880	4,880
Total intergovernmental	<u>525,451</u>	<u>522,019</u>	<u>612,365</u>	<u>90,346</u>
Charges for services:				
Recreation and user fees	43,300	43,300	50,763	7,463
Street repairs	10,000	10,000	15,562	5,562
Police reports	8,000	8,000	7,918	(82)
Engineering review fees	3,000	3,000	794	(2,206)
Other	3,000	6,298	5,033	(1,265)
Total charges for services	<u>67,300</u>	<u>70,598</u>	<u>80,070</u>	<u>9,472</u>
Fines and forfeitures	<u>513,500</u>	<u>513,500</u>	<u>722,062</u>	<u>208,562</u>
Other revenues:				
Lease revenue	20,000	20,000	24,154	4,154
Interest earned	25,000	25,000	92,531	67,531
Donations	4,000	8,700	17,532	8,832
Miscellaneous	166,600	189,574	192,783	3,209
Administrative fee	257,378	257,378	257,378	-
Total other revenues	<u>472,978</u>	<u>500,652</u>	<u>584,378</u>	<u>83,726</u>
Total revenues	<u>6,439,718</u>	<u>6,475,108</u>	<u>7,344,657</u>	<u>869,549</u>
 <u>Expenditures</u>				
<u>General government</u>				
Legislative:				
Salaries and benefits	108,873	108,873	108,774	99
Materials, supplies and services	22,435	27,435	27,108	327
	<u>131,308</u>	<u>136,308</u>	<u>135,882</u>	<u>426</u>
Legal/Judicial:				
Salaries and benefits	196,333	198,133	197,496	637
Materials, supplies and services	16,400	20,450	17,254	3,196
	<u>212,733</u>	<u>218,583</u>	<u>214,750</u>	<u>3,833</u>

SOUTH OGDEN CITY

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended June 30, 2005

	Budgeted Amounts			Variance
Expenditures - Continued	Original	Final	Actual	Favorable (Unfavorable)
<u>General government- continued</u>				
City administration:				
Salaries and benefits	\$ 394,036	394,036	393,530	506
Materials, supplies and services	<u>57,720</u>	<u>57,720</u>	<u>40,522</u>	<u>17,198</u>
	<u>451,756</u>	<u>451,756</u>	<u>434,052</u>	<u>17,704</u>
Buildings and grounds:				
Materials, supplies and services	<u>48,500</u>	<u>48,500</u>	<u>33,296</u>	<u>15,204</u>
Planning and zoning:				
Materials, supplies and services	<u>42,155</u>	<u>42,155</u>	<u>33,461</u>	<u>8,694</u>
Non-departmental:				
Materials, supplies and services	<u>308,311</u>	<u>313,011</u>	<u>303,056</u>	<u>9,955</u>
Total general government	<u>1,194,763</u>	<u>1,210,313</u>	<u>1,154,497</u>	<u>55,816</u>
<u>Public safety</u>				
Police service:				
Salaries and benefits	1,728,435	1,764,419	1,742,720	21,699
Materials, supplies and services	351,864	326,985	253,182	73,803
Capital outlay	<u>44,697</u>	<u>50,911</u>	<u>44,207</u>	<u>6,704</u>
	<u>2,124,996</u>	<u>2,142,315</u>	<u>2,040,109</u>	<u>102,206</u>
Traffic:				
Salaries and benefits	107,661	107,661	97,926	9,735
Materials, supplies and services	7,300	7,300	1,261	6,039
Capital outlay	<u>4,500</u>	<u>4,500</u>	<u>2,750</u>	<u>1,750</u>
	<u>119,461</u>	<u>119,461</u>	<u>101,937</u>	<u>17,524</u>
Fire department:				
Salaries and benefits	961,082	948,211	907,225	40,986
Materials, supplies and services	69,407	72,139	71,209	930
Capital outlay	<u>10,800</u>	<u>32,175</u>	<u>70,542</u>	<u>(38,367)</u>
	<u>1,041,289</u>	<u>1,052,525</u>	<u>1,048,976</u>	<u>3,549</u>
Inspection services:				
Salaries and benefits	60,886	60,886	59,809	1,077
Materials, supplies and services	<u>21,200</u>	<u>21,200</u>	<u>17,240</u>	<u>3,960</u>
	<u>82,086</u>	<u>82,086</u>	<u>77,049</u>	<u>5,037</u>
Total public safety	<u>3,367,832</u>	<u>3,396,387</u>	<u>3,268,071</u>	<u>128,316</u>
<u>Public works</u>				
Streets and highways:				
Salaries and benefits	272,387	271,387	263,028	8,359
Materials, supplies and services	<u>109,400</u>	<u>111,867</u>	<u>98,742</u>	<u>13,125</u>
	<u>381,787</u>	<u>383,254</u>	<u>361,770</u>	<u>21,484</u>

SOUTH OGDEN CITY

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended June 30, 2005

<u>Expenditures - Continued</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Public works - continued</u>				
Fleet management:				
Salaries and benefits	\$ 65,019	64,559	63,733	826
Materials, supplies and services	468,374	489,945	473,291	16,654
Capital outlay	156,626	149,698	146,488	3,210
	<u>690,019</u>	<u>704,202</u>	<u>683,512</u>	<u>20,690</u>
Total public works	<u>1,071,806</u>	<u>1,087,456</u>	<u>1,045,282</u>	<u>42,174</u>
<u>Parks and recreation</u>				
Parks and recreation:				
Salaries and benefits	353,031	356,329	347,716	8,613
Materials, supplies and services	97,000	97,400	88,726	8,674
Capital outlay	6,000	6,000	3,000	3,000
	<u>456,031</u>	<u>459,729</u>	<u>439,442</u>	<u>20,287</u>
Total parks and recreation	<u>456,031</u>	<u>459,729</u>	<u>439,442</u>	<u>20,287</u>
Total expenditures	<u>6,090,432</u>	<u>6,153,885</u>	<u>5,907,292</u>	<u>246,593</u>
Excess (deficiency) of revenues over (under) expenditures	<u>349,286</u>	<u>321,223</u>	<u>1,437,365</u>	<u>1,116,142</u>
Other financing sources (uses):				
Transfers in	181,000	384,900	384,916	16
Transfers (out)	(1,707,785)	(2,007,448)	(2,450,077)	(442,629)
Use of fund balance	<u>1,177,499</u>	<u>1,301,325</u>	<u>-</u>	<u>(1,301,325)</u>
Total other financing sources (uses)	<u>(349,286)</u>	<u>(321,223)</u>	<u>(2,065,161)</u>	<u>(1,743,938)</u>
Net changes in fund balances	-	-	(627,796)	(627,796)
Fund balance - beginning of year	<u>1,773,897</u>	<u>1,773,897</u>	<u>1,773,897</u>	-
Fund balance - end of year	<u>\$ 1,773,897</u>	<u>1,773,897</u>	<u>1,146,101</u>	<u>(627,796)</u>

SOUTH OGDEN CITY

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
RDA Special Revenue Fund

Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 108,000	108,000	112,676	4,676
Interest	<u>6,000</u>	<u>6,000</u>	<u>436</u>	<u>(5,564)</u>
Total revenues	<u>114,000</u>	<u>114,000</u>	<u>113,112</u>	<u>(888)</u>
Expenditures:				
Current:				
Community development	<u>25,000</u>	<u>25,000</u>	<u>1,705</u>	<u>23,295</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>1,705</u>	<u>23,295</u>
Excess (deficiency) of revenues over (under) expenditures	<u>89,000</u>	<u>89,000</u>	<u>111,407</u>	<u>22,407</u>
Other financing sources (uses):				
Transfers in	-	-	1,061,294	1,061,294
Transfers (out)	(100,000)	(100,000)	(100,000)	-
Use of fund balance	<u>11,000</u>	<u>11,000</u>	<u>-</u>	<u>(11,000)</u>
Total other financing sources (uses)	<u>(89,000)</u>	<u>(89,000)</u>	<u>961,294</u>	<u>1,050,294</u>
Net changes in fund balances	-	-	1,072,701	1,072,701
Fund balance (deficit) - beginning of year	(1,215,950)	(1,215,950)	(1,215,950)	-
Fund balance (deficit) - end of year	<u>\$(1,215,950)</u>	<u>(1,215,950)</u>	<u>(143,249)</u>	<u>(1,072,701)</u>



Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Honorable Mayor and City Council
South Ogden City, Utah

We have audited the financial statements of South Ogden City as of and for the year ended June 30, 2005, and have issued our report thereon dated September 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether South Ogden City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered South Ogden City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Mayor, City Council and oversight awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Crane, Christensen + Ambrose P.C.

September 26, 2005

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Independent Auditors' Legal Compliance Report

Honorable Mayor and City Council
South Ogden City, Utah

We have audited the general purpose financial statements of South Ogden City for the year ended June 30, 2005 and have issued our report thereon dated September 26, 2005. South Ogden City received the following non-major grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of South Ogden City's financial statements.)

CERT Grant (Department of Health)
Police Department Grants (Department of Public Safety)
Arbor Day Grant (Department of Parks and Recreation)
Police Overtime Grant (Commission on Criminal and Juvenile Justice)
Justice Court Technology Grant (Utah State Courts)
HAZMAT Grant (Department of Public Safety)

Our audit also included test work on South Ogden City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Liquor Law Enforcement
Cash Management	Justice Court
Purchasing Requirements	B & C Road Funds
Budgetary Compliance	Other General Issues
Truth in Taxation and Property	Department of Commerce General Compliance
Tax limitations	Impact Fees

The management of South Ogden City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those requirements require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with the requirements referred to above, which are outlined in the accompanying Schedule of Findings and Questioned Costs.

In our opinion, except for the instances of noncompliance mentioned above, South Ogden City complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2005.

Crane, Christensen & Ambrose P.C.

September 26, 2005

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SOUTH OGDEN CITY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

PROGRAM: BUDGETARY COMPLIANCE

FINDING: One special revenue fund's expenditures exceeded budgeted amounts for the year.

QUESTIONED COSTS: None

RECOMMENDATION: The City should monitor its expenditures to operate within the parameters of its annual adopted budget.

CITY'S REPLY: The overages were the result of year-end accruals that were not anticipated early enough to amend the budget. The City will monitor its budget more closely in the future.

PROGRAM: JUSTICE COURTS

FINDING: Fines were not remitted to the State Treasurer on Form C-500 by the 10th of the following month for six months during the year.

QUESTIONED COSTS: None

RECOMMENDATION: The City should follow Utah Code Section 51-4-2(4)(a) and remit all fines due to the State by the 10th of the month following the month in which they are collected.

CITY'S REPLY: The City will comply with this requirement in the coming year.

PROGRAM: B AND C ROAD FUNDS

FINDING: The City did not advertise for bids on road projects for three consecutive weeks.

QUESTIONED COSTS: None

RECOMMENDATION: The City should advertise for bids on road projects exceeding \$125,000 for three consecutive weeks.

CITY'S REPLY: The City will comply with this requirement in the future.

PROGRAM: GENERAL

FINDING: The fund balance of the City's redevelopment agency is in a deficit position.

QUESTIONED COSTS: None

RECOMMENDATION: The City should take steps to retire this deficit as quickly as possible.

CITY'S REPLY: The City has reduced the deficit significantly and will take steps to retire the remaining deficit as quickly as possible.